

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 EB-07 SS-15 SP-02 NSC-05 L-03

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R 091736Z JUL 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2728

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 10532

PASS TREASURY FOR NATE GORDON FROM JIM AMMERMAN

E.O. 11652: XGDS-1

TAGS: E/FIN, UK

SUBJECT: US/UK DOUBLE TAXATION NEGOTIATIONS

1. I PAID A COURTESY CALL ON DENSIL DAVIES, LABOR MP, WHO REPLACED JOHN GILBERT AS FINANCIAL SECRETARY IN HM TREASURY. DURING THE CONVERSATION, I TOLD DAVIES THAT I HAD URGED YOU AND OTHER MEMBERS OF THE TREASURY TAX STAFF TO MAKE AVAILABLE AS MUCH TIME AS NECESSARY FOR MEETINGS BETWEEN NOW AND THE END OF THE YEAR TO INSURE THAT CONVERSATIONS COULD BE HELD AIMING AT A SATISFACTORY OUTCOME JUST AS SOON AS POSSIBLE. I HOPED THAT HM TREASURY WAS MAKING THE SAME POINT TO INLAND REVENUE. DAVIES' PRIVATE SECRETARY WHO WAS PRESENT (ALONG WITH BRITT SWOFFORD) REPLIED THAT THE CHANCELLOR HAD ISSUED SIMILAR INSTRUCTIONS TO INLAND REVENUE.

2. SIR DOUGLAS WASS, PERMANENT SECRETARY, HM TREASURY, EXPRESSED APPRECIATION FOR THE SIX-MONTH EXTENSION, SAYING IT WAS IMPORTANT THAT UK SHOULD NOT HAVE A PISTOL POINTING AT ITS HEAD DURING THE DISCUSSIONS, I.E. NEGOTIATION DURING NOTICE OF TERMINATION. HE ALSO EXPRESSED APPRECIATION FOR FRED HICKMAN'S STATEMENT IN THE OECD FISCAL COMMITTEE SAYING IT WAS VERY IMPORTANT THAT THE BRITISH SHOULD BE SEEN TO BE GETTING EQUAL, IF NOT BETTER TREATMENT THAN THE FRENCH. I TOLD WASS I WAS SURE

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ON SUCCESSFUL COMPLETION OF NEGOTIATIONS, THE US TREAS-

URY WOULD DRAFT A PRESS RELEASE STRESSING THE IMPORTANCE OF THE AGREEMENT, REAFFIRMING OUR CLOSE ECONOMIC TIES, AND THE BREAKTHROUGH ACHIEVED BY THE UK IN NEGOTIATING ABOLITION OF US WITHHOLDING AS PART OF THE OVERALL PACKAGE. WASS SAID THAT THE PUBLIC IMPRESSION GIVEN BY THE AGREEMENT WOULD BE IMPORTANT. HOWEVER, I WARNED WASS HE SHOULD NOT DISCOUNT COMPLETELY THE POSSIBILITY OF TERMINATION NOTICE BEING GIVEN AT THE END OF THIS YEAR. IT IS UP TO THE INLAND REVENUE WHETHER AN AGREEMENT CAN BE REACHED. IT IS UP TO THE BRITISH TO OFFER SOMETHING CONCRETE AND MEANINGFUL. WASS REPLIED THAT HE IS REASONABLY CERTAIN THAT A SATISFACTORY AGREEMENT CAN BE REACHED FAIRLY QUICKLY, AND THAT HE WILL PERSONALLY KEEP AN EYE ON DEVELOPMENTS.

3. DESPITE THE ABOVE STATEMENTS OF GOOD INTENTIONS, WHEN I EARLIER PASSED FRED DALTON YOUR MESSAGE INDICATING WILLINGNESS TO MEET THE BRITISH EITHER THIS WEEK OR THE WEEK BEGINNING JULY 21, DALTON SEEMED SURPRISED AT URGENCY AND SAID HE FELT NEXT MEETING COULD BE HELD AT THE END OF SEPTEMBER. I REACTED NEGATIVELY, TOLD DALTON THAT MY OWN JUDGMENT IS THAT IF THIS IS THE UK RESPONSE, IT WILL BE VERY POORLY RECEIVED BOTH IN WASHINGTON AND IN THE EMBASSY, ESPECIALLY FROM THOSE US OFFICIALS WHO HAD AGREED TO A MORE MODERATE POLICY AND THE ADDITIONAL SIX-MONTH TIME LIMIT FOR NEGOTIATIONS. DALTON SAID THAT HE "TOOK THE POINT" AND WOULD CONSULT FURTHER IN INLAND REVENUE. HE LATER CALLED ME TO SAY THAT HE WAS "FAIRLY

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ACTION TRSE-00

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2729

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 10532

CERTAIN BUT WITHOUT COMMITMENT" THAT HE COULD BE IN WASHINGTON THE WEEK OF JULY 21, BUT NOT SURE WHICH DATES. HE ASKED HOW MUCH ADVANCE NOTICE YOU WOULD NEED OF THE ACTUAL DATE OF HIS ARRIVAL. I REPLIED THAT I WAS FAIRLY CONFIDENT YOU WOULD GREET HIM WITH OPEN ARMS WHATEVER DAY HE WALKED THROUGH YOUR DOOR.

4. BASED ON DALTON'S REMARKS, DALTON AND ANNE SMALLWOOD WILL BE TRAVELING IN EUROPE THIS WEEK TOUCHING BASE WITH THE GERMANS, FRENCH AND EC COMMISSION OFFICIALS IN BRUSSELS PRIOR TO THEIR DISCUSSIONS WITH YOU IN WASHINGTON. DENSIL DAVIES ALSO MADE THE POINT THAT THE BRITISH WOULD AT LEAST NEED TO CONSULT WITH THEIR EC PARTNERS PRIOR TO REACHING AN AGREEMENT WITH THE US. MY REPLY WAS THAT I FELT THE US TREASURY MIGHT REACT NEGATIVELY IF THE BRITISH DELEGATES GIVE THE IMPRESSION THAT THE US TREASURY IS ALSO NEGOTIATING WITH THE EC IN ORDER TO REACH AGREEMENT WITH THE BRITISH ON WHAT IS OVERWHELMINGLY A BILATERAL ISSUE BETWEEN TWO SOVEREIGN STATES. BOTH DAVIES AND DALTON REPLIED THAT I SHOULD NOT MAKE TOO MUCH OF UK NEED TO AT LEAST INFORM ITS MAJOR EC PARTNERS AND COMMISSION OF UK'S GENERAL INTENTIONS.

RICHARDSON

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